



What future for cohesion policy?

Tomasz Grzegorz Grosse

- *Poland should join the discussion about the future of cohesion policy as soon as possible.*
- *Poland should aim at maintaining the largest possible budget of this policy, but it should also propose changes regarding the content and management methods thereof.*
- *Proposals for changes in cohesion policy should take into consideration the strategic objectives of Polish diplomacy on European arena. This requires determination of priorities and negotiation tactics as well as coordination of actions promoting Polish position.*
- *Proposals regarding a reform of cohesion policy should address the development goals of Polish economy. Top priority should be assigned to supporting its innovativeness and competitiveness on external markets.*
- *Moreover a proper coordination is needed between cohesion policy and other European policies: rural development policy and innovation policy.*

A discussion on the future of cohesion policy has been already initiated within European institutions. In late 2007 Danuta Hübner, the Commissioner for regional policy, started official consultations on that issue. Presently DG regional policy is collecting opinions of the member states, territorial governments, social and economic partners and NGOs, with a view to presenting an initial concept for cohesion policy reform in the fifth cohesion report in spring 2008. This is a good example of how programme discussions are shaped in Europe: they usually commence much ahead of time.

Expectations of the largest payers

The discussion on the future of cohesion policy is affected by several factors. First of all, the largest payers aim at limitation of spending on this policy. One of the ways to attain this goal is a postulate to target the policy instruments solely at the least-developed regions, and to decrease the available financial assistance for areas in transition (due to improvement of economic development indicators). It must be also borne in mind that according to available forecasts, the GDP per capita in Mazowsze region in 2013 will significantly exceed 90% of EU-27 average. Therefore the years after 2013 will be most likely the last programming period seeing participation of some Polish regions under transitional arrangements. It is also likely that there will be attempts at partial re-nationalisation of this policy, i.e. transferring its tasks to the member states. Other ideas leading to savings also surface in this context. It is worthwhile mentioning among them the proposal of gradual transition from not-repayable subsidies from Union budget to banking products, i.e. increasing the role of bank loans in cohesion policy. As an example, there are concepts of replacing Union funds fully financed from the EU budget with funds partially renewable from return on investment loans. This is linked to introduction of financial management methods derived from private sector and gradual replacement of civil servants work with specialised structures of commercial financial institutions.

Another proposal is an attempt at limiting cohesion policy spending in instances when this would entail delocation of businesses from other European countries. Such solutions were already introduced for 2007–2013 period for some measures supporting investments for entrepreneurs. There is also the so-called globalisation fund, limiting adverse social and economic outcomes relating to liberalisation of world trade and delocation of business activity to third countries. The described phenomena are likely to intensify in the future. This means that there will be attempts at introducing restrictions in delocation of business activity to the least-developed regions, which are covered with cohesion policy measures. This is an even broader problem, one concerning economic rivalry on the common market. This gives rise to such fundamental questions as: to what extent should Union policies support firms in under-developed areas of Europe? How far can they go in restricting free competition on the common market and weakening the market advantage between enterprises from the richest regions and those originating from the least-developed areas? Some politicians from the best-developed countries try to limit cohesion policy support for enterprises, particularly in innovative economy segments, and suggest that this policy should be targeted exclusively at basic infrastructure and social measures.

The saved cohesion policy funds might be transferred to other development goals, particularly those connected to innovation policy. This trend to reinforce development of modern economy in Europe is already visible in the budget for the years 2007–2013. It is manifested in an increase in budget for the Seventh Framework Programme (compared to the sixth one), as well as in introduction of a new Competitiveness and Innovation Framework Programme. It must be borne in mind that the basic calculation each member state makes before undertaking a discussion on a future EU budget is an assessment of the facility to take advantage of European funding, i.e. to „regain” the largest possible portion of own membership contribution.

Another possibility is to „reallocate” the financing of the existing cohesion policy to objectives relating to new political challenges faced by the Union in early 21st century. It has been long postulated that the role of budget priorities relating to development of the European foreign policy and defence capacities be increased. Some completely new proposals for actions might surface in the discussion on a future EU budget, e.g. ones relating to counteracting climate change in Europe, solving demographic problems or integration of immigrants. Some of the aforementioned actions might be included into cohesion policy being created, thus changing its substantive direction and the geographic distribution of funding. They might also give rise to completely new European policies and thus compete with cohesion policy for a share of the EU budget.

Objectives of beneficiaries and of the European Commission

Future cohesion policy will be largely shaped by the positions of the biggest beneficiaries of EU assistance and of the European Commission, which is to propose guidelines for a future cohesion policy. Attention will be paid to the positions of new member states, particularly Poland, which is the biggest beneficiary of EU budget in the years 2007–2013. Moreover Polish diplomacy will have a significant influence over the formulation of a new cohesion policy, inter alia when Poland assumes the rotary presidency in the Union in 2011. Many beneficiaries of cohesion policy focus mainly on maintaining as far as possible the status quo of this policy or on securing for themselves maximum assistance in transitional periods.

On the other hand, the European Commission will most likely aim at maintaining the size of cohesion policy budget and securing for itself the biggest possible influence on the programming and methods of implementation of this policy. This is evidenced by attempts at increasing the Commission’s role through control over some kinds of spending on Lisbon priorities. One can also expect that the Commission will make attempts at restricting decentralisation of cohesion policy administration to the level of member states. This purpose is served by the postulate to strengthen broad social partnership when investments are deployed. On the other hand, decentralisation of policy management to the level of regions is left up to decisions of individual member states; a large percentage of national governments insist on this solution.

It is Commission’s aim to have Lisbon Strategy objectives better addressed in a new cohesion policy. In Commission’s opinion this shall provide an opportunity to improve

the efficiency of Lisbon Strategy implementation and an argument against limitation of cohesion policy size. This is evidenced by the communication of December 2007, where closer ties between National Reform Programmes (implementing the said strategy) and cohesion policy instruments are suggested. The communication also proposes strengthening of Lisbon priorities, particularly investments ensuring development of knowledge and innovation, supporting SMEs, stimulating employment growth. It must be borne in mind, however, that Lisbon strategy also covers flexibly the traditional objectives of cohesion policy pertaining to expansion of ecological, transport, energy and other infrastructure. This signifies that references to Lisbon objectives only partly serve the purpose of changing the substantive profile of cohesion policy, while they are to some extent merely marketing and promotional measures, with aim to facilitate approval of the Commission proposal by member states.

Assessment of the outcome so far

Assessment of the outcomes of implementation of existing cohesion policy measures and effectiveness of absorption of funds by member states and regions is of central significance for a debate on new cohesion policy. It is notable that many experts from independent research centres as well as European institutions critically assess the implementation results of the existing cohesion policy instruments. Recently the European Court of Auditors presented a report (2007) criticising the usefulness of individual measures of this policy.

Experts frequently make a charge that cohesion policy hardly stimulates sustainable economic development of under-developed areas, which stems from inner potential for growth and innovation. Critics point out that cohesion policy not infrequently serves solely the purpose of redistribution of incomes, improvement of living conditions of citizens and political goals, including those related to improvement of the social image of European integration (the discussion on this topic is presented in more detail in: T.G. Grosse, *Innowacyjna gospodarka na peryferiach?*, the Institute of Public Affairs, Warsaw 2007). Some critics also express doubts whether new member states are capable of full absorption of cohesion policy assistance funds. The quoted arguments are most frequently used by politicians aiming at limitation of the budget and the scope of cohesion policy. Regretfully, such arguments are much less frequently used in attempts to reform the policy.

Main questions for the future

Thus we can point out a few fundamental problems concerning the future of cohesion policy, which are currently discussed in European institutions:

1. Should cohesion policy budget be decreased, and should measures be introduced that marginalize significance of this policy, e.g. through its partial renationalisation?
2. What substantive direction should cohesion policy assume? Should it be limited solely to infrastructural measures and social development (e.g. pertaining to prevention of unemployment)? Or perhaps we should continue increasing the significance of objectives related to Lisbon strategy, particularly those supporting development of innovative

economy? Should we add new objectives, e.g. ones pertaining to effects of climate change or allowing for easier assimilation of emigrants? Should rural development policy continue to be excluded from cohesion policy?

3. What should be the area of cohesion policy influence: should it cover all countries or only the poorest ones? Should structural assistance be targeted more at areas selected due to their specific development problems?
4. How should cohesion policy be managed? Should we strengthen decentralisation (to member states and their regions), or on the contrary – should we strengthen the role of the European Commission and other Community institutions? Should the principle of single-fund operational programmes be maintained? How can the role of public-private partnership be enhanced? How can territorial cooperation (e.g. between cities and rural governments) and integrated planning be enforced?

Conclusions and recommendations

1. It must be assumed that the maintenance of cohesion policy in its present shape is highly unlikely. Moreover, the absence of changes would be quite disadvantageous for Poland, because it might lead to gradual marginalization of this policy. Therefore Poland should promptly and assertively join the discussion on the future of cohesion policy. We should not limit ourselves just to defending its budget, but propose changes as concerns its content and implementation. This does not imply that Polish position should be excessively critical towards the present cohesion policy. On the contrary, we have important positive outcomes of the existing policies and should present them during European debate. For instance, a far-reaching decentralisation has been important for effectiveness of cohesion policy implementation in Poland. We should also stress the successful improvement of the absorption of European assistance funds.
2. Proposals for changes in cohesion policy should take due account of the strategic goals of Polish diplomacy on European arena in a broader perspective. The Union is a structure of communicating vessels; not infrequently actions in one area have impact on others, and less important goals are sacrificed for the sake of attaining the fundamental ones. A good example is the problem of a further enlargement of the European Union to the east and south (accession of Croatia is scheduled for as early as 2010). Since potential new member states would be poor countries, this would most likely affect Polish interests as a beneficiary of cohesion policy. Therefore policy pursued at the European level requires coordination and prioritizing of individual goals. This will become particularly necessary when plans are made for Polish Presidency in the European Union in 2011.
3. Proposals regarding a reform of cohesion policy should address the development goals of Polish economy. It seems that support to development of economy that is innovative and competitive on external markets should be of central importance. Hence cohesion policy should – to a larger extent than it does now – stimulate development of such economy in least-developed regions, by building on their internal resources: scientific and research infrastructure, staff of researchers and well-educated employees, innovative local undertakings, intra-regional cooperation networks support (including financing) to regional development etc. Cohesion policy may also support regional innovation systems and improve efficiency of their ties with national innovation

systems. It should also provide for better preparedness of Polish entities for participation in EU innovation policy. Considering such multitude of tasks, proposals to limit cohesion policy solely to objectives relating to development of basic infrastructure and counteracting unemployment seem least suitable for Poland.

4. It is also highly important for Poland to develop proper negotiation tactics, in particular to convince the biggest payers to maintain a large budget of the policy. To this end, regions of the net contributors should also be allowed to participate in a reformed cohesion policy. This purpose can be also served by gradually increasing the inclusion of Lisbon goals into cohesion policy. We should also enable conditional approval for new objectives of cohesion policy, e.g. those pertaining to counteracting adverse effects of climate change, demographic problems or inflow of emigrants. It seems that concessions made by Poland on that issue should be compensated for by a greater support for development of innovative economy. One should also point out that problems relating to climate change and excessive immigration will increasingly affect Poland in the future.
5. Proper coordination of cohesion policy instruments with other European policies is also of enormous importance. This concerns first of all the relation of cohesion policy and rural development and innovation policies. The exclusion of rural development policies from the cohesion policy (in 2007–2013 period) was a serious mistake. It resulted in the allocation of European assistance funds for rural areas mainly to tasks related to modernisation of agricultural and food sector as well as the improvement of incomes and living conditions of rural residents. On the other hand, it hardly contributed to changes in economic activity profile and to ensuring sustainable development. When debating a new cohesion policy, we should aim at increasing the assistance for rural areas, albeit targeted differently than the instruments of rural development policy (currently available under CAP). This concerns support for innovative development strategies, including diversification of economic activity in rural areas. A new cohesion policy should be also better coordinated with EU innovation policy. We should increase the support for the development of innovative economy in least-developed areas of Europe, e.g. better prepare entrepreneurs and researchers from those regions for the participation in the European innovation policy.
6. Compared to other new member states, Poland's implementation of cohesion policy entailed a relatively high participation of voivodeship (regional) governments. Likewise, Poland should support further decentralisation of this policy, both at the national and regional levels.

Dr Tomasz Grzegorz Grosse, is an expert of the Institute of Public Affairs specialising in cohesion policy issues. He recently published a book titled *Innowacyjna gospodarka na peryferiach?* (Innovative economy in peripheries?) (2007). He is preparing for print a book devoted to future of European integration titled: *Europa na rozdrożu* (Europe at crossroads).

Analyses & Opinions

No. 1(80)*, January 2008

Series Editor: dr Jacek Kucharczyk
Series Coordinator: Rafał Załęski

Analyses & Opinions is a series of policy briefs highlighting pressing issues and presenting policy recommendations. Series is prepared with the support of Trust for Civil Society in Central and Eastern Europe.

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Address: 5 Szpitalna St., # 22, 00-031 Warsaw, Poland
e-mail: isp@isp.org.pl; www.isp.org.pl